



NDWEDWE LOCAL MUNICIPALITY

**FINAL ANNUAL BUDGET
FOR**

2019/2020 TO 2021/2022

**MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK
(MTREF)**

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Table of Contents

PART 1 – ANNUAL BUDGET

- 1.1 Mayor's Report
- 1.2 Council Resolutions
- 1.3 Executive Summary
- 1.4 Annual Budget Tables

PART 2 – SUPPORTING DOCUMENTATION

- 2.1 Overview of Annual Budget Process
- 2.2 Overview of Alignment of Annual Budget with IDP
- 2.3 Measurable Performance Objectives and Indicators
- 2.4 Overview of Budget Related Policies
- 2.5 Overview of Budget Assumptions
- 2.6 Overview of Budget Funding
- 2.7 Expenditure On Allocations and Grant Programmes
- 2.8 Allocations and Grants Made by The Municipality
- 2.9 Councillor and Board Member Allowances and Employee Benefits
- 2.10 Monthly Targets for Revenue, Expenditure and Cash Flow
- 2.11 Contracts Having Future Budgetary Implications
- 2.12 Capital Expenditure Details
- 2.13 Legislation Compliance Status
- 2.14 Other Supporting Documents
- 2.15 Municipal Manager's Quality Certification

ABBREVIATIONS & ACRONYMS

AFS	Annual Financial Statements
BSC	Budget Steering Committee
BTO	Budget & Treasury Office (Finance)
CFO	Chief Financial Officer
DORA	Division of Revenue Act
DORB	Division of Revenue Bill
COGTA	Co-operative Governance & Traditional Affairs
EXCO	Executive Committee
FMG	Financial Management Grant
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
HIV/AIDS	Human Immune Deficiency Virus / Acquired Immune Deficiency Syndrome
IDP	Integrated Development Plan
IT	Information Technology
NDW	Ndwedwe Municipality
MANCO	Management Committee
MBRR	Municipal Budget and Reporting Regulations
MFMA	Municipal Finance Management Act 2003 (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant
MM	Municipal Manager (Accounting Officer)
MPCCs	Multi-Purpose Community Centres
MPRA	Municipal Property Rates Act 2004 (Act No. 6 of 2004)
MSA	Municipal Systems Act 2000 (Act No. 32 of 2000)
MSIG	Municipal Systems Improvement Grant
MTREF	Medium Term Revenue & Expenditure Forecast
MV	Market Value
NT	National Treasury
PPP	Public-Private Partnerships
PSI	Public Service Infrastructure
PT	Provincial Treasury
SALGA	South African Local Government Association
SDBIP	Service Delivery & Budget Implementation Plan
VAT	Value-Added Tax

PART 1 – ANNUAL BUDGET

1.1 MAYOR’S REPORT

The Mayor’s report will be presented by the Mayor at Council.

1.2 COUNCIL RESOLUTIONS

The following resolutions approving the 2019/2020 – 2021/2022 MTREF are submitted to Council for consideration and adjusted where necessary:

1. **THAT** in terms of Section 24(1) and (2) of the Municipal Finance Management Act, 56 of 2003: -
The Final Annual Budget of the Municipality for the Financial year 2019/2020; and indicative allocations for the two projected outer years 2020/2021 and 2021/2022; and the multi – year and single year capital appropriations be approved as set out in budget table A1 to A10
2. **THAT** the Final Tariff of charges for the 2019/2020 financial year be approved and adopted.
3. **THAT** the following measurable performance indicator for revenue collections be set:

Property rates income: the minimum collection rate of 60%

4. **THAT** in terms of the priority in the execution of the capital budget, priority should first be given to all projects that have been rolled over of which are primarily grant funded.
5. **THAT** any savings on the capital budget to be retained and not transferred to any other vote to ensure that the municipal financial sustainability is maintained.
6. **THAT** the council note the 2019/2020 Draft Budget high level assessment feedback from the Provincial Treasury as attached under other documents in the final budget document.

1.3 EXECUTIVE SUMMARY

1.3.1 Background

Section 24 (1) of the Municipal Finance Management Act no 56 of 2003 indicates that, the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget. Subsection (2) further states that an annual budget—

- (a) must be approved before the start of the budget year;
- (b) is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and
- (c) must be approved together with the adoption of resolutions as may be necessary
 - (i) imposing any municipal tax for the budget year;
 - (ii) setting any municipal tariffs for the budget year;
 - (iii) approving measurable performance objectives for revenue from each source and for each vote in the budget;
 - (iv) approving any changes to the municipality's integrated development plan; and
 - (v) approving any changes to the municipality's budget-related policies.

As such the Council is presented with the final Annual Budget for 2019/2020 MTERF in compliance with Section 24 (1) and (2) of the MFMA and Municipal Budget & Reporting Regulations.

1.3.2 Discussion

The application of sound financial management principles for the compilation of the municipality's financial plan is vital and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all municipalities. The municipality business and service delivery priorities were reviewed as part of this year's planning and budget process where appropriate funds were transferred from low to high priority programmes so as to maintain sound financial stewardship.

A critical review was also undertaken of expenditures on non-core and 'nice to have' items. The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by customers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring people lead government.

The budget/IDP process occurred according to the budget timetable approved by the council in August 2018. This ensures compliance with the MFMA and subsequent circulars in the preparation and approval of 2019/2020 final budget / IDP. The Budget and Medium Term Revenue and Expenditure Framework (MTREF) was also prepared taking cognizance of the contents of the Municipal Finance management act No 56 of 2003, circular No. 93, circular No 94 and the MFMA budget formats Guide received from National Treasury.

The main challenges experienced during the compilation of the 2019/2020 MTREF can be summarized as follows:

- Slow pace of Town development and proclamation thereof,
- High number of poorly maintained community access roads or non-existent at all.

- Substantial need of community infrastructure e.g. Sports fields and Community Halls.
- The perpetual increase of Eskom electricity supply hence cost of supplying water supply by District Council also increases.
- The need to increase municipal fleet in order to meet minimum service delivery standards.
- Maintain an adequate balance filling of the vacant posts and budget percentage of salaries against overall budget.
- The high prevalent of indigent households within Ndwedwe municipality.
- Lack of revenue base.
- Producing a balanced, credible and funded budget taking into account realistically anticipated revenues under these on-going difficulties in the national and local economy;
- The need to re-prioritise projects and expenditure within the existing resource envelop given the cash flow realities and declining cash position of the municipality;

The Ndwedwe Municipality's Medium Term Revenue Expenditure Framework complies with all legal requirements which are as follows:

- The Constitution 1996 (Act No. 108 of 1996),
- The Local Government: Transition Act 1993 (Act No. 209 of 1993),
- The Municipal Systems Act no 32 of 2000 and regulation,
- The Municipal Finance Management Act 56 of 2003 and regulation,
- The Municipal Structures Act 1998 (Act No. 117 of 1998),
- Municipal Budget & Reporting Regulations issued by NT,
- MFMA Circulars published by NT and
- Division of Revenue Act

The municipality is consistent with the 2018/19 budget; the 2019/20 budget focuses on the priorities of Council as outlined in the IDP. There are listed below:

- Basic Service Delivery
- Municipal Institutional Development and Transformation
- Local Economic Development (LED)
- Municipal Financial Viability and Management
- Good Governance and Public Participation
- Safe and Secure Environment

- Spatial Analysis
- Environmental Management

The following budget principles and guidelines directly informed the compilation of the 2019/2020 MTREF:

- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI.
- The fixed operational cost and contracted services expenditure to take presiding in the allocation of available budget.
- This budget is zero based:
 - Zero-based budgeting is defined as a process where every department function is reviewed comprehensively and each expenditure must be approved, rather than increased
 - It requires the budget request to be justified in complete detail by each department rather than just increasing its expenditure from the previous year.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2019/2020 Medium-term Revenue and Expenditure Framework:

Table 1: Consolidated Overview of the 2019/2020 MTREF

Description R thousand	Ref 1	Current Year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<u>Revenue By Source</u>						
Total Revenue (excluding capital transfers and contributions)		163 975	165 063	184 548	195 103	208 855
Total Expenditure		191 571	192 105	184 438	184 838	193 056
Surplus/(Deficit)		(27 596)	(27 042)	111	10 265	15 799
Transfers and subsidies - capital		29 267	32 767	29 809	31 306	33 460
Surplus/(Deficit) for the year		1 671	5 725	29 920	41 571	49 259

- Total operating revenue is expected to grow by almost 11 per cent or R19,5 million for the 2019/2020 financial year when compared to the 2018/2020 Adjusted Budget. For the two outer years, operational revenue will increase by 5 and 7 per cent respectively, equating to a total revenue growth of R43,8million over the MTREF when compared to the 2018/2019 financial year.
- Total operating expenditure for the 2019/2020 financial year is expected to decrease by R7,7 million or 4 per cent when compared to the 2018/2019 Adjusted Budget. Operational expenditure is expected to increase by R0,4 million and 8, 2 million respectively for the two outer years.
- The proposed capital budget of R67,8 million for 2019/2020 is 8.9 per cent more when compared to the 2018/2019 Adjusted Budget.

Table 2: Proposed Capital Funding

Vote Description R thousand	Ref	Current Year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Funded by:						
National Government		29 267	32 767	29 809	31 306	33 460
Provincial Government						
District Municipality						
Other transfers and grants						
Transfers recognised - capital	4	29 267	32 767	29 809	31 306	33 460
Borrowing	6					
Internally generated funds		42 224	29 510	38 025	12 070	4 570
Total Capital Funding	7	71 491	62 277	67 834	43 376	38 030

- The above table illustrates the funding model of the capital project, where the larger portion of it will be funded from internal funding and the rest will be funded by the national grant i.e. MIG.
- It must be noted that the municipality has set aside almost 56.1% from its internal funding for this current year capital projects, R8, millions of the funding source will be spend on building the testing centre which is the part of the municipality attempt in generating its own revenue for the long term municipal financial sustainability.

1.3.4 Operating budget

1.3.4.1 Operating revenue framework

In order for the municipality to continue with its mandate to provide the quality services to its citizens it must generate the required revenue. Strong revenue management is fundamental to the financial sustainability of every municipality under these tough economic times.

The reality is that some communities within our municipality are still faced with development backlogs and poverty. As a result, the required expenditure to address these challenges will inevitably always exceed the available funding; hence radical choices must be made in relation to tariff increases and balancing expenditure against the realistically anticipated revenue.

The municipality's revenue is directly informed around the following key components:

- The projected revenue is determined, inter alia, by setting tariffs which are not only affordable to the consumers, but also deemed to be fair and realistic.

- National Treasury's guidelines and macroeconomic policy;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA); and

The following table is a summary of the 2019/20 MTREF (classified by main revenue source):

Table 3: Summary of revenue classified by main revenue source

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Revenue By Source											
Property rates	2	9 289	9 041	13 668	15 731	14 501	14 501	14 501	17 566	18 515	19 515
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		317	565	641	426	457	457	457	600	632	667
Interest earned - external investments		7 887	9 790	10 484	12 500	10 650	10 650	10 650	11 000	11 594	12 220
Interest earned - outstanding debtors		426	552	695	786				800	843	889
Dividends received											
Fines, penalties and forfeits						634	634	634			
Licences and permits						2	2	2	5	5	6
Agency services											
Transfers and subsidies		114 997	113 670	123 236	134 412	137 737	137 737	137 737	153 281	162 990	175 008
Other revenue	2	310	349	112	120	1 083	1 083	1 083	496	523	551
Gains on disposal of PPE									800		
Total Revenue (excluding capital transfers and contributions)		133 225	133 967	148 837	163 975	165 063	165 063	165 063	184 548	195 103	208 855

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Transfer recognised operational revenue forms a significant percentage of the revenue basket for the municipality. In 2019/2020 financial year, the transfer recognised operational revenue is expected to be amount to R153, 3 million. Ndwedwe municipality is the grant dependent municipality, however the municipality is in the process of attracting more investors to come and invest in the municipality which will potentially increase the chances for the municipality to generate its own revenue. The municipality has also put almost R8million on the capital budget to build the testing stations which is the part of the municipality attempts to generate its own revenue for municipal financial sustainability.

The second largest revenue category for the municipality is property rate followed by the revenue expected from the interest earned on the external investment.

2019/2020 Operating income budget can be summarised as follows

Property rates

- Property rates revenue for 2019/2020 financial year is expected to increase from R14, 5 million to R17, 6 million when compared to adjusted budget. This R3,1 million or 17,6% is attributed to 4 per cent increase as per the tariff of charges and 13,6 per cent as a result of the changes in the valuation roll market values of the properties.

Service charges - refuse revenue

- The municipality has just introduced the waste management function. It has started by buying its own waste truck and also deploying the EPWP staff in waste management section for street cleaning, however the municipality cannot at this stage determine the anticipated revenue for this service as it still in the process of engaging the community for this services.
- It has started by updating its tariff of charges which are in the process of engagement with the stakeholders where once the agreement is reached, the anticipated revenue will be determined and be included in the budget hence no provision made in the original budget for the revenue category.

Rental of Facilities

- Rent from municipal facilities is expected to increase by R143 thousands from R 457 thousands in 2018/2019 to R600 thousands in 2019/2020.
- The municipality have the Market Stores where current there are people that working there without paying the rents as a result this year they will be introduced in paying the rent hence the budget has been increased to consider those new payers.
- Another factor that contributed into this increase is in relation to normal annual increase for existing tenant.

Interest earned – external investments

- Interest earned on external investments is expected to increase from R10,7 million to R11 million for 2019/2020.
- This projected low increase of 3,2 per cent in this revenue category is attributed to high capital expenditure anticipated in the new financial year as most of the projects planning has commenced in 2018/2019 to ensure that as soon as the new financial year kicks off the implementation is also kicks off.

- It is the general understanding that, the more the money stayed in the investment portfolio the more interest being earned on the investments.
- However, with the municipality have already started the process for capital project, this will mean the money will stay lesser time in the investment hence the low protection increase from the interest is anticipated.

Interest earned - outstanding debtors

- The Interest earned - outstanding debtors has decreased from the original budget of R786 000 to nil in the adjustment budget. This money was reclassified to be Fines, penalties and forfeits, and it was adjusted downwards by R152 000 during the adjustment budget
- This has since been taken back to Interest earned - outstanding debtors as advised by Provincial Treasury and due to the municipality struggling in collecting it rates from consumers, this revenue category has increase from R634 thousand to R800 thousands in 2019/2020 financial year as all consumers that are in arrears has to be charged with interest.

Licences and permits

- Licences and permits budget will increase by R3 thousands from 2018/2019 adjusted budget to R5 thousands in 2019/2020 financial year.
- The Economic Development and Planning Department is in the process of ensuring that all business that operate within the municipality which are supposed to pay permit and licences are indeed adhered to that obligation hence the increase is high than CPI as stipulated in the MFMA Circular No. 94 as the municipality is anticipating more business to come into books and pay such permits and licences required from all business that operates within the municipal jurisdiction.

Transfers and subsidies

- The 2019/2020 Transfer recognised operational revenue will increase by R15,5 million when compared to 2018/2019 adjusted budget. This is increase is as a result of new grant allocations from National and Provincial government as displayed on the new released DORA and Provincial Gazette.

Other revenue

- Other revenue budget will decrease by R587 thousands in 2019/2020 financial year. This decrease is due to the budget for insurance refund as the municipality is unable to forecast insurance claim refunds in the upcoming financial year and therefore this was left at zero.

Gains on disposal of PPE

- The municipality will dispose some of its plants and replace them with the new plant during the 2019/2020 financial and the political principal's vehicles are due for replacement as it has reached the required kilometres in order for it to be replaced and in disposing such assets, the municipality is anticipating a gain of almost R800 000 hence the budget of R800 000 is included in the 2019/2020 financial year.

1.3.4.2 Operating expenditure framework

The Municipality's expenditure framework for the 2019/2020 MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash backed reserves to fund any deficit;
- Funding of the budget over the medium term as informed by Section 18 and 19 of the MFMA;
- The Capital programs are aligned to addressing the backlogs of electrification and infrastructure establishment
- Strict adherence to the principle of no project plans no budget. If there is no business plan no funding allocation can be made.

Tabled 4: The following table is an indicative of the expected 2019/2020 operating expenditure by standard classification item: -

KZN293 Ndwedwe - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Expenditure By Type							
Employee related costs	62 307	49 311	49 311	49 311	62 105	65 673	69 942
Remuneration of councillors	14 324	14 324	14 324	14 324	15 327	16 155	17 205
Debt impairment	2 600	2 600	2 600	2 600	3 000	3 162	3 333
Depreciation & asset impairment	20 000	20 000	20 000	20 000	21 000	22 134	23 329
Finance charges							
Bulk purchases	-	-	-	-	-	-	-
Other materials		1 559	1 559	1 559			
Contracted services	41 046	46 348	46 348	46 348	41 658	39 902	41 501
Transfers and subsidies	13 000	24 045	24 045	24 045	9 491	4 234	2 355
Other expenditure	38 294	33 918	33 918	33 918	31 857	33 577	35 391
Loss on disposal of PPE							
Total Expenditure	191 571	192 105	192 105	192 105	184 438	184 838	193 056
Surplus/(Deficit)	(27 596)	(27 042)	(27 042)	(27 042)	111	10 265	15 799
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	29 267	32 767	32 767	32 767	29 809	31 306	33 460
Surplus/(Deficit) for the year	1 671	5 725	5 725	5 725	29 920	41 571	49 259

In view of the above table it can be noted that the total operating expenditure budget for 2019/2020 MTREF amounts to R184,3 million which reflect R7,7 million decrease when compare to 2018/2019 adjusted budget. For the outer years the budget is estimated to be R184,8 million and R193,1 million respectively.

The components of the operating budget can be explained as follows:

Employee related costs

- Employee related costs is budgeted at R62,1 million for 2019/2020 financial year. During the 2018/2019 adjustment budget, the council had to remove some of the delayed budgeted post to fund the then unforeseeable and unavoidable expenditure, such as the upgrade of the Eskom electrical infrastructure.
- As a result, this increase is attributed to the returning of those budgeted posts into the budget and also the normal increment increase of almost 7 per cent as per SALGA agreement and 2.5 per cent for notch increases for those posts that are still not yet reached the sealing.
- It must also be noted that this budget has been reduced by almost R1, 1 million when compare to the 2019/2020 draft budget, this decrease is derived from the public participation where a demand for infills of electrification was high as a result, MANCO proposed that some of the post be delayed to ensure that the type two electrification is accommodated in 2019/2020 financial year, more details about this will be covered under Transfers and Subsidies below,

Remuneration of councillors

- This line item is budgeted to be R15, 3million for 2019/2020 financial year.
- This budget is aligned to the consideration of determination of upper limits for councillors and office bearers as indicated on circular 94 of MFMA which state that municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act.

Debt impairment

- Debt impairment consist of Bad debts written off, although this expenditure is a non cash item, but it informs the total cost associated with rendering of services by the municipality as well as the municipality's realistically anticipated revenue.

- This is in compliance with the GRAP standards. The Bad debts provision has been anticipated based on the collection trend of the municipality.

Depreciation & asset impairment

- Depreciation, asset impairment and amortisation budget for 2019/2020 financial year amounts to R21, million. The budget figure is informed by the Fixed Asset policy taking into account the existing fixed assets register and new projects to be implemented in 2019/2020 financial year. Should the anticipated completion of the capital project change, this item will have to be revisited during the adjustment budget.

Other materials

- Other materials show a zero budget for 2019/2020 financial year, this change is attributed to reallocation of this expenditure to general expenditure. This expenditure relates to assets item that are less than the Capitalisation Threshold hence it falls under operational cost.

Contracted services

- This item is budgeted at R41,7 million for upcoming financial year. The decrease in this expenditure category of almost R4, 7 million when compare to adjusted budget is as a result of once off projects that were budgeted in the 2018/2019 financial year that relate to the review of different operational strategies within the municipality.
- As part of cost containment measures, the Municipal Manager has requested all Section 57 employees to ensure that all strategies that requires the review to ensure that it done in house to minimise the cost incurred by the municipality on those projects hence the decrease in this expenditure category is significant when compare to 2018/2019 adjustment budget.

Transfers and subsidies

- The 2019/2020 Transfers and subsidies budget amounts to R9, 5million. The decrease of R14, 6million when compared to 2018/2019 financial year is attributed to electricity projects which are anticipated to be completed in this financial year.
- It must be noted that this budget has been significant increase when compare to draft budget of R2, 6 million, this as a result of additional funding needed for the 2018/2019 projects and the type two projects

which had to be included as part of responding to the public participation outcome where a high demand of infills were demonstrated by the community hence the means to fund this project have been made by the council where a utilisation of Draft budget surplus and the delaying of budgeted posts were most contributing factor in contributing for this projects,

Other expenditure

- The proposed budget allocation for other expenditure amounts to R31,9 million.
- The minimum changes of R2, 1million in this expenditure item when compared to 2018/2019 adjusted budget is due to the zero based budget approach adopted by the municipality where all votes were treated as zero until management agreed and motivated for a figure hence it resulted to this low decrease when compared to adjusted budget.
- *Tabled:5 The following table display the Breakdown of Other expenditure category.*

Description	2019/20 Medium Term Revenue & Expenditure Framework		
	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand			
Other Expenditure By Type			
Collection costs			
Contributions to 'other' provisions			
Consultant fees			
Audit fees	1 850	1 950	2 055
General expenses	2 195	2 314	2 438
<i>Expenditure:Operational Leases:Machinery and Equipment</i>	950	1 001	1 055
<i>Expenditure:Operational Cost:Advertising, Publicity and Marketing:Corporate and Municipal Activities</i>	650	685	722
<i>Expenditure:Operational Cost:Advertising, Publicity and Marketing:Gifts and Promotional Items</i>	1 520	1 602	1 689
<i>Expenditure:Operational Cost:Bursaries (Employees)</i>	780	822	867
<i>Expenditure:Operational Cost:Communication:Cellular Contract (Subscription and Calls)</i>	920	970	1 022
<i>Expenditure:Operational Cost:Communication:Radio and TV Transmissions</i>	700	738	778
<i>Expenditure:Operational Cost:Communication:Telephone, Fax, Telegraph and Telex</i>	600	632	667
<i>Expenditure:Operational Cost:External Computer Service:Software Licences</i>	1 350	1 423	1 500
<i>Expenditure:Operational Cost:Hire Charges</i>	1 710	1 802	1 900
<i>Expenditure:Operational Cost:Insurance Underwriting:Insurance Claims</i>	700	738	778
<i>Expenditure:Operational Cost:Municipal Services</i>	1 500	1 581	1 666
<i>Expenditure:Operational Cost:Printing, Publications and Books</i>	1 810	1 908	2 011
<i>Expenditure:Operational Cost:Professional Bodies, Membership and Subscription</i>	1 353	1 426	1 503
<i>Expenditure:Operational Cost:Remuneration to Ward Committees</i>	2 508	2 643	2 786
<i>Expenditure:Operational Cost:Skills Development Fund Levy</i>	532	561	591
<i>Expenditure:Operational Cost:Travel and Subsistence:Domestic:Accommodation</i>	3 055	3 220	3 394
<i>Expenditure:Operational Cost:Travel and Subsistence:Domestic:Transport without Operator:Own Transport</i>	1 790	1 887	1 989
<i>Expenditure:Operational Cost:Uniform and Protective Clothing</i>	1 110	1 170	1 233
<i>Expenditure:Operational Cost:Wet Fuel</i>	3 050	3 215	3 388
<i>Expenditure:Operational Cost:Vehicle Tracking</i>	384	405	427
<i>Expenditure:Operational Cost:Assets less than the Capitalisation Threshold</i>	390	411	433
<i>Expenditure:Operational Cost:Insurance Underwriting:Risk Management Programs</i>	450	474	500
Total 'Other' Expenditure	31 857	33 577	35 391

Tabled:6 The following table display the Breakdown of the general expenditure of Other expenditure category.

Description	2019/20 Medium Term Revenue & Expenditure Framework		
	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Expenditure:Operational Cost:Registration Fees:Seminars, Conferences, Workshops and Events:National	369 000.00	388 926.00	409 927.00
Expenditure:Operational Cost:Travel and Subsistence:Domestic:Transport with Operator:Public Transport:Air Tra	290 000.00	305 660.00	322 164.00
Expenditure:Operational Cost:External Computer Service:Internet Charge	250 000.00	263 500.00	277 729.00
Expenditure:Operational Cost:Travel and Subsistence:Domestic:Transport without Operator:Car Rental	245 000.00	258 230.00	272 173.00
Expenditure:Operational Cost:Drivers Licences and Permits	200 000.00	210 800.00	222 183.00
Expenditure:Operational Cost:Signage	150 000.00	158 100.00	166 637.00
Expenditure:Operational Cost:Bank Charges, Facility and Card Fees:Bank Accounts	130 000.00	137 020.00	144 419.00
Expenditure:Operational Cost:Licences:Licence Agency Fees	110 000.00	115 940.00	122 201.00
Expenditure:Operational Cost:Advertising, Publicity and Marketing:Municipal Newsletters	100 000.00	105 400.00	111 092.00
Expenditure:Operational Cost:Travel and Subsistence:Domestic:Food and Beverage (Served)	81 000.00	85 374.00	89 984.00
Expenditure:Operational Cost:Travel and Subsistence:Domestic:Incidental Cost	73 000.00	76 942.00	81 099.00
Expenditure:Operational Cost:Communication:Postage/Stamps/Franking Machines	50 000.00	52 700.00	55 546.00
Expenditure:Operational Cost:Travel and Subsistence:Domestic:Transport with Operator:Public Transport:Road T	48 000.00	50 592.00	53 325.00
Expenditure:Operational Cost:External Computer Service:System Development	40 000.00	42 160.00	44 437.00
Expenditure:Operational Cost:Travel and Subsistence:Non-employees	30 000.00	31 620.00	33 327.00
Expenditure:Operational Cost:Management Fee	15 000.00	15 810.00	16 664.00
Expenditure:Operational Cost:Travel and Subsistence:Domestic:Daily Allowance	14 000.00	14 756.00	15 553.00
Total General Expenditure	2 195 000.00	2 313 530.00	2 438 460.00

1.3.4 Capital expenditure of the MTREF

The Capital Budget focuses on the IDP objectives and Ndwedwe infrastructure needs.

Asset Management best practice requires Council to allocate 40% of the capital budget to renew/maintain existing assets. Since Ndwedwe Municipality is still growing/developing, all wards still require new infrastructure like roads, sport fields, community halls and creches.

No budget has been set aside for renewing the existing assets instead the municipality hance put R3,3 million on upgrading of the existing assets. However it is anticipated that in the few years to come the municipality will start to ensure that it sets aside enough budget to ensure that the already existing structure is renewed.

Table 7: The following table provides a breakdown of budgeted capital expenditure by vote:

Vote Description R thousand	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital Expenditure - Functional							
<i>Governance and administration</i>	1 380	4 142	4 142	4 142	5 645	3 700	2 320
Executive and council					2 450	350	210
Finance and administration	1 380	4 142	4 142	4 142	3 195	3 350	2 110
Internal audit							
<i>Community and public safety</i>	5 270	4 070	4 070	4 070	1 750	810	350
Community and social services	4 970	4 070	4 070	4 070	1 750	810	350
Sport and recreation	300						
Public safety							
Housing							
Health							
<i>Economic and environmental services</i>	34 467	54 065	54 065	54 065	60 439	38 866	35 360
Planning and development	4 200	2 400	2 400	2 400	1 360	2 300	1 650
Road transport	30 267	51 665	51 665	51 665	59 079	36 566	33 710
Environmental protection							
<i>Trading services</i>	–	–	–	–	–	–	–
Energy sources							
Water management							
Waste water management							
Waste management							
<i>Other</i>	30 374						
Total Capital Expenditure - Functional	71 491	62 277	62 277	62 277	67 834	43 376	38 030
Funded by:							
National Government	29 267	32 767	32 767	32 767	29 809	31 306	33 460
Provincial Government							
District Municipality							
Other transfers and grants							
Transfers recognised - capital	29 267	32 767	32 767	32 767	29 809	31 306	33 460
Borrowing							
Internally generated funds	42 224	29 510	29 510	29 510	38 025	12 070	4 570
Total Capital Funding	71 491	62 277	62 277	62 277	67 834	43 376	38 030

The above table indicates that Ndwedwe Municipality has set aside a capital budget of R67,8million for 2019/2020 financial year with most of the budget allocated to road transport function followed by the executive and council station and finance and administration function to ensure that the municipality reduces the backlog in terms of such basic developments.

The components of the capital budget can be explained as follows

Vote Description R thousand	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital Expenditure - Functional							
<i>Governance and administration</i>	1 380	4 142	4 142	4 142	5 645	3 700	2 320
Executive and council					2 450	350	210
Finance and administration	1 380	4 142	4 142	4 142	3 195	3 350	2 110
Internal audit							

- Government and administration function have been allocated with a budget of R5, 6million for 2019/2020 financial year, this has increase by R1, 5million when compare to 2018/2019 adjusted budget.
- The R2,5 million allocated to Executive and Council is related to the R2, 3 million for the replacement of the political principal vehicles as highlighted under **gain on disposal of fixed asset** above.
- The reminder of the budget is allocated toward purchasing the new laptop for the office of the municipal manager

Vote Description R thousand	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital Expenditure - Functional							
<i>Community and public safety</i>	5 270	4 070	4 070	4 070	1 750	810	350
Community and social services	4 970	4 070	4 070	4 070	1 750	810	350
Sport and recreation	300						
Public safety							
Housing							
Health							

- Community and public safety have been allocated with a budget of R1,7 million for 2019/2020 financial. The outer years have been allocated with a budget of R810 thousands and R350 thousand respectively.
- The most contributing factor to this budget, is the budget relate to the Buy Back Structure (Phase One) which have been rolled over from 2018/2019 adjusted budget to be implemented in 2019/2020 financial year.
- The municipality have been faced with the land disputes from where this project should have been located as a result the budget has been rolled over with a hope that the land disputes will be resolved and the projects being implemented in 2019/2020 financial year.
- The reminder budget is related to the purchase of computer equipment and furniture and office equipment for existing staff as well as for the new staff to be recruited in 2019/2020 financial year.

Vote Description R thousand	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital Expenditure - Functional							
<i>Economic and environmental services</i>	34 467	54 065	54 065	54 065	60 439	38 866	35 360
Planning and development	4 200	2 400	2 400	2 400	1 360	2 300	1 650
Road transport	30 267	51 665	51 665	51 665	59 079	36 566	33 710

- Economic and environmental services function is the services delivery function of the municipality and it have been allocated with a budget

of R60, 4million which amount to 89 per cent of the total municipal capital budget.

- Planning and development sub function have been allocated with a budget of R1,4 million for 2019/2020 financial year. A reduction of R1, 0million is attributed to the completion of the 2018/2019 budgeted projects, however there is one project that have been rolled over to 2019/2020 financial years which relate to the construction of the excess road to market stores which is required to be completed in order for the EDP department to be reallocated to the market stores.
- Road Transport have been allocated with a budget of R59, 1million for 2019/2020 financial year. R29, 8million is for the implementation of the MIG projects which includes the construction of road infrastructure, Sport fields and community halls.
- The remainder of the budget is allocated as follows,
 - R4, 8million for the construction of the Technical Offices which is a roll over from 2018/2019 adjusted budget. the project has already started however the timing was off as it only stated toward the end of March 2019 as a result R4, 8million have been requested to be rolled over to 2019/2020 financial year.
 - R8, 0million for the construction of Ndwedwe Testing Centre, however it must be noted is a roll over from 2018/2019 financial as the municipality is experiencing the land challenge with the site where this project was supposed to be allocated. The negotiations are ongoing to try and resolve the disputes, this project is anticipated to cost the municipality an amount to R13million however since the land disputes is yet to be finalise only R8million that have been allocated in 2019/2020 financial year with R5million allocated in 2020/2021 financial year.
 - R4,6million is allocated towards replacing of the municipal plant used for the maintenance of the road infrastructure,
 - The reminders of the budgeted projects can be viewed on the attachment attached under **(2.14 Other Supporting Documents)** below.

Table 8: The below table indicates the capital budget as per asset class

KZN293 Ndwedwe - Supporting Table SA34a Capital expenditure on new assets by asset class

Description R thousand	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital expenditure on new assets by Asset Class/Sub-class						
Infrastructure	39 717	13 173	13 173	21 000	21 600	22 445
Roads Infrastructure	33 667	7 356	7 356	19 400	21 000	22 445
<i>Roads</i>	30 267	7 046	7 046	19 400	9 000	9 619
<i>Road Structures</i>		310	310	–	12 000	12 826
<i>Road Furniture</i>						
<i>Capital Spares</i>	3 400					
Storm water Infrastructure	–	–	–	–	–	–
<i>Drainage Collection</i>						
<i>Storm water Conveyance</i>						
<i>Attenuation</i>						
Electrical Infrastructure	1 150	3 518	3 518	–	–	–
<i>HV Transmission Conductors</i>	1 150					
<i>Capital Spares</i>		3 518	3 518			
Water Supply Infrastructure	2 900	1 900	1 900	200	–	–
<i>Dams and Weirs</i>						
<i>Boreholes</i>	2 900	1 900	1 900	200	–	–
Solid Waste Infrastructure	2 000	400	400	1 400	600	–
<i>Landfill Sites</i>	2 000					
<i>Waste Transfer Stations</i>						
<i>Waste Processing Facilities</i>		400	400			
<i>Waste Drop-off Points</i>						
<i>Waste Separation Facilities</i>				1 400	600	–
<i>Electricity Generation Facilities</i>						
<i>Capital Spares</i>						
Community Assets	13 904	26 711	26 711	24 809	15 306	11 015
Community Facilities	13 604	12 546	12 546	15 909	15 306	11 015
<i>Halls</i>		12 546	12 546	7 909	10 306	11 015
<i>Centres</i>						
<i>Crèches</i>						
<i>Clinics/Care Centres</i>						
<i>Fire/Ambulance Stations</i>						
<i>Testing Stations</i>	13 504			8 000	5 000	
<i>Markets</i>	100					
Sport and Recreation Facilities	300	14 166	14 166	8 900	–	–
<i>Indoor Facilities</i>						
<i>Outdoor Facilities</i>	300	14 166	14 166	8 900		
<i>Capital Spares</i>						
Other assets	12 320	8 600	8 600	5 600	750	–
Operational Buildings	12 320	8 600	8 600	5 600	750	–
<i>Municipal Offices</i>	11 920	7 800	7 800	5 600	750	–
<i>Pay/Enquiry Points</i>						
<i>Building Plan Offices</i>						
<i>Workshops</i>		300	300			
<i>Yards</i>	400					
<i>Capital Spares</i>		500	500			
Computer Equipment	620	820	820	505	650	650
Computer Equipment	620	820	820	505	650	650
Furniture and Office Equipment	2 580	1 790	1 790	1 120	1 010	670
Furniture and Office Equipment	2 580	1 790	1 790	1 120	1 010	670
Machinery and Equipment	150	5 833	5 833	6 550	2 060	1 750
Machinery and Equipment	150	5 833	5 833	6 550	2 060	1 750
Transport Assets	2 200	2 650	2 650	4 950	2 000	1 500
Transport Assets	2 200	2 650	2 650	4 950	2 000	1 500
Zoo's, Marine and Non-biological Animals	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals	–	–	–	–	–	–
Total Capital Expenditure on new assets	71 491	59 577	59 577	64 534	43 376	38 030

KZN293 Ndwedwe - Supporting Table SA34e Capital expenditure on the upgrading of existing assets by asset class

Description	Ref	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1						
<u>Capital expenditure on upgrading of existing assets by Asset Class/Sub-class</u>							
<u>Infrastructure</u>		-	1 200	1 200	2 700	-	-
Roads Infrastructure		-	1 200	1 200	2 700	-	-
Roads			1 200	1 200	2 700	-	-
Road Structures							
Road Furniture							
Capital Spares							
<u>Community Assets</u>		-	1 500	1 500	600	-	-
Community Facilities		-	1 200	1 200	-	-	-
Halls			1 200	1 200			
Sport and Recreation Facilities		-	300	300	600	-	-
Indoor Facilities							
Outdoor Facilities			300	300	600		
Capital Spares							
Total Capital Expenditure on upgrading of existing assets	1	-	2 700	2 700	3 300	-	-

1.4 ANNUAL BUDGET TABLES

In terms of the Municipal Budget and Reporting Regulations, the 10 primary budget tables, as attached, reflects the 2019/2020 budget and MTREF to be supported by Council.

Budget Table	Synopsis of table
Table A1	High level summary of the municipality's budget, including operating, capital, financial position, cash flow and MFMA funding compliance.
Table A2	Indicative of the budgeted financial performance with regards to revenue and expenditure per standard classification.
Table A3	Indicative of the budgeted financial performance with regards to revenue and expenditure and operating surplus or deficit per municipal vote.
Table A4	Indicative of the budgeted financial performance with regards to revenue by source and expenditure by type.
Table A5	Indicative of the municipality's capital projects in relation to the capital expenditure by municipal vote, capital expenditure by classification, and funding sources. Also included is information pertaining to capital transfers from National and Provincial government. NDW has adopted a multi-year capital budget appropriation.
Table A6	Indicative of the financial position of the municipality.
Table A7	Indicative of the cash and cash equivalent of the municipality over the draft MTREF.
Table A8	Indicative of the Cash Backed Reserves/ Accumulated Surplus. Represents an evaluation of the funding levels by forecasting cash and investments at year end and reconciling the available funding to the liabilities in existence. This is in line with MFMA legislation.
Table A9	Represents the municipal capital allocations to the funding of new assets and renewal of existing assets. This also includes spending on repairs and maintenance.
Table A10	Indicative of the service delivery levels, including backlogs, for each of the main services.

PART 2 – SUPPORTING DOCUMENTATION

2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

2.1.1 Background

Section 53 of the MFMA requires the Mayor to provide general political guidance over the budget process and the priorities that must guide the preparation of the budget. To assist the prioritisation and spending plans of Council, the political component has a duty to oversee the budget process. In addition, chapter 2 of MBRR states that the mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of MFMA.

The municipal has a functional Budget Steering Committee (BSC) is in place. The BSC monitors financial planning and spending plans, and advises Council accordingly. The BSC also considers all budget-related policies before these are tabled to Council for approval.

Ndwedwe Municipality is required to follow a strict budget process that enables significant participation by the community and all stakeholders. This budget process is governed by the MSA and the MFMA.

The final 2019/2020 MTREF will be submitted to Provincial and National Treasury immediately after being considered by the council as required by MFMA.

2.1.2 Political oversight

Section 53 of the MFMA requires the Mayor to provide general political guidance over the budget process and the priorities that must guide the preparation of the budget. To assist the prioritisation and spending plans of Council, the political component has a duty to oversee the budget process.

The municipal has a functional Budget Steering Committee in place. The BSC monitors financial planning and spending plans, and advises Council accordingly. The BSC also considers all budget-related policies before these are tabled to Council for approval.

2.1.3 Budget-related policies

All budget-related policies were taken into account in developing the final 2019/2020 MTREF:

2.1.4 Alignment with national & provincial priorities

The MTREF is in line with National and Provincial objectives. The successful alignment of Ndwedwe municipality service delivery priorities, as captured in its IDP, with these objectives is critical in achieving its developmental goals. The MTREF is also formulated in a manner that supports Ndwedwe municipality long-term sustainable growth and development.

The following priorities are National Government's framework to enhance the social, cultural and economic welfare of all South Africans:

- Protect the poor
- Build capacity for long-term growth
- Sustain employment growth
- Maintain sustainable debt level
- Address sector barriers to growth and investment

2.1.5 Key deadlines

The budget time schedule for compilation of the 2019/2020 MTREF was approved in August 2018, in compliance with the MFMA's requirements.

The budget timetable is necessary to ensure integration between the IDP and the MTREF. It also ensures a balanced budget is tabled to Council for consideration and approval.

2.1.6 Importance of producing a balanced and credible MTREF

A credible MTREF is one that is highly achievable, as it is in line with all agreed service delivery and performance targets. It contains revenue and expenditure projections that are consistent with current and past performance. These projections are also supported by documented evidence of future assumptions. Only activities that are consistent with the revised IDP are funded. This ensures that the IDP remains realistically achievable given Ndwedwe municipality financial constraints. A credible MTREF does not jeopardize financial viability, because it ensures that the financial position is maintained within generally accepted prudent limits and that obligations can be met. It also provides the Head of Department with appropriate levels of delegation sufficient to meet their financial management responsibilities.

It must also be stated that the implementation of mSCOA requires a direct link between the IDP and Budget and it is therefore vital that all stakeholders respect the various timeframes. The nature of the process results in subsequent delays should any one of the components be delayed.

2.1.7 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in March) a time schedule that sets out the process to revise the IDP and prepare the budget.

August 2018 – Joint strategic planning session of the Financial Services Management team and the Budget Office. Aim: to assess Council's 2017/2018 Financial Statements and current year's (2018/2019) revised results and capacity, to determine the impact on future strategies and budgets;

September 2018 – Issuing of the 2019/2020 Medium Term Revenue and Expenditure Framework (MTREF) guideline memorandum and budget policy document addressing various budget assumptions, internal budget processes, policies and requirements in terms of the Municipal Budgeting and Reporting Regulations etc.;

24 January 2019 - Council considered the 2018/2019 Mid-year Review;

01 to 20 February 2019 – Provincial Treasury's 2018/2019 Mid-year Budget and Performance Assessment Visit;

28 February 2019 – Council considered the 2018/2019 Adjusted Budget;

29 March 2019 - Tabling in Council of the Draft 2019/2020 IDP and 2019/2020 MTREF for public consultation;

April 2019 – Public consultation;

6 May 2019 - Closing date for written comments;

7 to 18 May 2019 – finalisation of the 2019/2020 IDP and 2019/2020 MTREF, taking into consideration comments received from the public, comments, from National Treasury, and updated information from the most recent Division of Revenue Act and financial framework; and

29 May 2019 - Tabling of the 2019/2020 MTREF before Council for consideration and approval.

There have been no significant deviations from the key dates set out in the Budget Time Schedule adopted by Council as at to date. The municipality is anticipating to stick to this dates until the budget is final approved by the council by the end May 2019.

2.1.8 IDP and Service Delivery and Budget Implementation Plan

Integrated Development Planning (IDP) is an approach to planning that involves the entire municipality and its citizens in finding the best solutions to achieve good long-term development.

Through the IDP, Government priorities are translated in our strategic framework and escalated to Strategic Goals, Strategic Objectives, Strategies, Key Performance indicators, which are then further developed into programs and projects. This directly informs the municipal Service Delivery and Budget Implementation Plan. This fair alignment between IDP and Government priorities is confirmed through our budgeting, which takes into serious consideration the strategic objectives when budgeting.

With the compilation of the 2019/2020 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and second quarter performance against the 2018/2019 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.9 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2019/2020 MTREF, extensive financial modeling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2019/2020 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Performance trends
- The approved 2018/2019 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Investment possibilities
- The need for tariff increases versus the ability of the community to pay for service
- Improved and sustainable service delivery

2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

The Integrated Development Plan (IDP) is a strategic document that clearly outlines the municipality's development objectives and provides a policy framework that guides management in decision making related to budgeting and planning. It can also be described as the approach to planning that involves the entire municipality and its citizens in finding the best solutions to achieve good long-term development.

The final 2019/2020 MTREF is linked to the IDP as the review was an aligned process of the budget as per the budget timetable as approved by council in August 2018. This has translated to the plan of the municipality for the year, which is the service delivery and budget implementation plan.

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The IDP drives the strategic development of the Municipality. The Municipality's budget is fully influenced by the strategic objectives identified in the IDP. The service delivery budget implementation plan (SDBIP) ensures that the Municipality implements programmes and projects based on the IDP targets and associated budgets. The performance of the Municipality is tabled in its Annual report.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

Refer to table SA4, SA5, SA6 and SA7 which highlights the IDP's five strategic objectives for the 2019/2020 MTREF and further planning refinements that have directly informed the compilation of the budget:

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

A municipality's Performance Management System is a mechanism to monitor, review and improve the implementation of its IDP and monitor progress made in achieving set goals as stipulated in the IDP. Effective service delivery relies on the IDP, effective utilisation of scarce resources and the PMS system.

The IDP is developed in conjunction with the community and a realistic budget and is reviewed annually. The IDP will consider, inter alia: -

- Existing conditions, problems and resources available for development
- Economic and social development needs of the community
- It sets a framework for land use, infrastructure and services.

The Service Delivery and Budget Implementation Plan is the tool used to align the budget to the IDP. The focus of the SDBIP is both Financial and non-financial measurable performance objectives in the form of service delivery targets.

The Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organizational performance which in turn is directly linked to individual employees' performance. At this stage performance management applies to Section 57 employees and the municipality intends to cascade it to junior employees.

An organisation scorecard is developed after taking into consideration the aspects as indicated/highlighted in the IDP and SDBIP. This scorecard will be used to monitor the performance of the Municipality.

2.4 OVERVIEW OF BUDGET RELATED POLICIES

The Ndwedwe Municipalities budgeting process is guided and governed by relevant legislation, frameworks strategies and related policies.

2.4.1 Rates Policy

The Rates Policy applies to all currently rated properties and also covers exemptions, rebates and reductions. This policy ensures that all new rates are tabled to Council for approval, before being implemented. The Rates Policy is in line with MPRA.

2.4.2 Credit Control & Debt Collection Policy

The Credit Control & Debt Collection Policy, adopted by Council, focuses on all outstanding debt and aims to promote a culture of good payment habits amongst debtors. Debtors have a responsibility towards the payment of their accounts. This policy implements an appropriate, innovative system of debt collection, which is also cost-effective. The aim of this policy is to ensure that debt is collected in the shortest possible time, without any interference in the process, thereby reducing all municipal debt.

The Credit Control & Debt Collection Policy ensures a sensitive, transparent and equitable approach to debt recovery. It prescribes methods to effectively and efficiently deal with those who default on payments, whilst taking indigent consumers into consideration and keeping costs to a minimum.

2.4.3 Indigent Policy

The objective of the Indigent Policy is to ensure the following: -

- The provision of basic services to indigent households in a manner that is sustainable, within the financial and administrative capacity of the Council.
- To provide procedures and guidelines for the subsidisation of basic service charges to its indigent households, using Council's budgetary provisions, according to prescribed guidelines.

2.4.4 Tariff Policy

In terms of Section 74 of the Local Government Municipal Systems Act 2000, a municipal Council must adopt and implement a Tariff Policy. The Tariff Policy is the policy for levying fees; rates or taxes for the municipal services provided by Ndwedwe Municipality. Tariff calculations are based on the

nature of the service provided and treat all users of municipal services equally, by ensuring that consumers pay in proportion to the amount of services consumed.

This policy covers the Tariff Determination Process and also the Classification and Pricing Strategies of Services. It highlights the fact that all proposed tariffs are presented to the community of Ndwedwe Municipality during the Council's consultation process in respect of the MTREF. The aims of this policy are:

- To promote local economic development' growth and competitiveness
- To cater for the indigent households whilst keeping rates affordable
- To ensure financial sustainability of service delivery

2.4.5 Cash Management & Investment Policy

In terms of Section 13 (2) of the MFMA, a municipality must adopt a policy dealing with cash management and investments. The Investment & Cash Management Policy ensures that all investments are made in an effective and efficient manner and generate the best return for the municipality. This policy ensures that all investments made take into account the preservation and safety of the principal and appropriate liquidity.

2.4.7 Supply Chain Management Policy

A municipality is required in terms of Section 111 of the MFMA to develop and implement a Supply Chain Management Policy. The comprehensive Supply Chain Management Policy governs, inter alia, the procurement of goods and services; disposal of goods and selecting contractors to aid the Municipality in service delivery.

2.4.8 Virement Policy

The Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA. The municipality will introduce this policy for 2019/2020 financial year.

2.4.9 Budget Policy

The Budget Policy sets out the principles followed by municipality in drafting the MTREF. This policy covers the responsibilities of the Mayor; the MM; the CFO and other senior managers in preparing the MTREF. The operating and

capital budget; budget funding; budget transfers; unavoidable expenditure and the budget preparation process are covered extensively.

2.4.10 Funding & Reserve's Policy

The Funding & Reserves Policy is aimed at ensuring that the municipality procures sufficient and cost-effective funding to achieve its capital expenditure objectives in an optimum manner. This policy must be adhered to in the procurement of funding, whilst considering the maturity profile of municipalities assets and liabilities.

This policy sets out the assumptions and methodology for estimating:

- Revenue;
- Revenue that will not be collected;
- Proceeds from the disposal of assets;
- Funds to be set aside in Reserves (excluding Reserves held in order to comply with GRAP Standards)

2.4.11 Asset Management Policy

The Fixed Asset Management Policy governs the acquisition, utilisation, control, maintenance and disposal of assets. This policy ensures that assets are managed in an economical, effective and efficient manner throughout their life cycles, to achieve the maximum level of service.

2.4.12 Leave Management Policy

The purpose of this policy is to regulate the taking of leave by employees of Ndwedwe Local Municipality, having regard to the relevant statutory provisions regarding leave and the relevant Collective Agreement insofar as it relates to leave.

2.4.13 Disposal Policy

The purpose of this policy is to provide for an effective system for the disposal or letting of assets no longer needed, including unserviceable, redundant or obsolete assets. This disposal system is subject to sections 14 and 90 of the Municipal Finance Management Act (56, 2003).

2.5 OVERVIEW OF BUDGET ASSUMPTIONS

In the compilation of the 2019/2020 MTREF, the following influencing factors were taken into account:

Normal inflationary increases and economic pressures, especially

- Higher fuel prices.
- Consumer Price Index inflations – impacting the general tariff increases levelled by the municipality.
- Higher unemployment rate –
- Global Economic status – thus hindering the consumer's ability to timeously settle debt. A conservative approach is used for projecting revenue.

Zero-based budgeting for 2019/2020

- Zero-based budgeting is defined as a process where every Business Unit function is reviewed comprehensively and each expenditure must be approved, rather than increased.
- It requires the budget request to be justified in complete detail by each Department rather than just increasing its expenditure from the previous year.

Employees Related Cost

- The budgeted figure includes the normal increase of almost 7% in terms of existing salary agreement for (filled and vacant posts) plus 2.5% in relation to notch for those employees still qualify for notch increases.

2.5.1 Significant External Factors

- Slow economic growth in our country
- High unemployment rates
- Increasing fuel prices
- Significant fluctuations in gold, platinum and coal minerals
- Currency fluctuations
- GDP estimates for the duration of the final MTREF

2.5.2 Basis and Methodology for Forecasting Budget Projections

In terms of Chapter 4, Section 16, of the MFMA, the operational and capital budgets for the 2019/2020 financial year, and the two subsequent years, attached hereto have been prepared according to the Municipal Budget and

Reporting Regulations as gazetted in Government Gazette No. 32141 published on 17 April 2009.

2.6 OVERVIEW OF BUDGET FUNDING

Section 18 (1) of the MFMA states that the annual budget may only be funded from the following: -

- Realistically anticipated revenue to be collected
- Cash backed accumulated funds from previous years' surplus funds not committed for other purposes, and
- Borrowed funds, but only for the capital budgets

Table 9: Below table indicates the total expenditure for Ndwedwe local municipality

Description R thousand	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Total Expenditure	191 571	192 105	192 105	192 105	184 438	184 838	193 056
Total Capital Expenditure - Functional	71 491	62 277	62 277	62 277	67 834	43 376	38 030
Total Expenditure	263 063	254 383	254 383	254 383	252 272	228 214	231 086

2.6.1 Funding sources

The funding model of the 2019/2020 MTREF is dependent on the following main revenue categories:

Table 10: Funding sources

Description R thousand	Current Year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source					
Property rates	15 731	14 501	17 566	18 515	19 515
Service charges - electricity revenue	-	-	-	-	-
Service charges - refuse revenue	-	-	-	-	-
Rental of facilities and equipment	426	457	600	632	667
Interest earned - external investments	12 500	10 650	11 000	11 594	12 220
Interest earned - outstanding debtors	786		800	843	889
Fines, penalties and forfeits		634			
Licences and permits		2	5	5	6
Agency services					
Transfers and subsidies	134 412	137 737	153 281	162 990	175 008
Other revenue	120	1 083	496	523	551
Gains on disposal of PPE			800		
Total Revenue (excluding capital transfers and contributions)	163 975	165 063	184 548	195 103	208 855

2.6.2 Tariff of charges

The Tariff of Charges is proposed to be implemented on 01 July 2019. This document provides for major services, and lists minor and miscellaneous tariffs – including the hiring of municipal facilities and town planning. An intensive and rigorous tariff setting process is undertaken to ensure the compilation of a credible and realistic budget.

2.6.3 Investments

Ndwedwe Municipality has funds held in bank deposits, including the depositing of grant funding into ring fenced call deposit accounts in order to improve management of grant funding.

The cash and investments of Ndwedwe municipality currently amount to R109, 1million as at 31 March 2019. However, it should be noted that these funds are committed as conditional grants or operating funds.

2.6.4 Government grant allocations

National and Provincial Allocations:

The amended DORA allocations that will be granted to Ndwedwe Municipality consist of:

Table 11: National and Provincial Allocations:

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		114 199	112 325	121 911	133 020	133 020	133 020	151 567	161 173	173 077
Local Government Equitable Share		110 311	108 709	118 243	129 855	129 855	129 855	147 784	158 306	169 946
Finance Management		1 800	1 825	1 900	1 970	1 970	1 970	2 435	2 867	3 131
EPWP Incentive		1 158	1 791	1 768	1 195	1 195	1 195	1 348		
Integrated National Electrification Programme										
Municipal Systems Improvement		930								
Other transfers/grants [insert description]										
Provincial Government:		744	1 265	1 325	1 392	4 667	4 667	1 714	1 817	1 931
Sport and Recreation						50	50			
Co-operative Governance and Traditional Affairs						3 000	3 000			
Provincial Library Grant		744	1 265	1 325	1 392	1 617	838	880	924	975
Small Town Rehabilitation Project										
Community Library Services Grant							779	834	893	956
District Municipality:		-	-	-	-	50	50	-	-	-
Ilembe District						50	50			
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	114 943	113 590	123 236	134 412	137 737	137 737	153 281	162 990	175 008
Capital Transfers and Grants										
National Government:		52 517	40 273	46 678	35 267	35 267	35 267	29 809	31 306	33 460
Municipal Infrastructure Grant (MIG)		28 907	19 548	32 678	29 267	29 267	29 267	29 809	31 306	33 460
Integrated National Electrification Programme		9 000	9 725	14 000	6 000	6 000	6 000			
Neighbourhood Development Partnership		14 610	11 000							
Other capital transfers/grants [insert desc]										
Provincial Government:		5 000	-	-	-	-	-	-	-	-
Small Town Rehabilitation Project		5 000								
District Municipality:		-	-	-	-	-	-	-	-	-
Ilembe District										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	57 517	40 273	46 678	35 267	35 267	35 267	29 809	31 306	33 460
TOTAL RECEIPTS OF TRANSFERS & GRANTS		172 460	153 863	169 914	169 679	173 004	173 004	183 090	194 296	208 468

All of the above allocations, excluding Equitable Share, are conditional grants. This means that they have been allocated to Ndwedwe Municipality for a specific purpose and may not be used to fund any other expenditure.

Once all conditions are met, these allocations are transferred to the Statement of Financial Performance in order to match the expenditure incurred.

This is in compliance with the relevant GRAP standards. The transfers indicated on the Statement of Financial Performance are, therefore, accounting entries and do not actually represent cash on hand.

2.7 EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

Grant funding and expenditure is covered in detail in Supporting Tables SA19 and SA20.

Table 12: expenditure on allocations and grant programmes

Description	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand									
EXPENDITURE:									
<u>Operating expenditure of Transfers and Grants</u>									
National Government:	114 199	112 325	121 911	139 020	139 020	133 020	151 567	161 173	173 077
Local Government Equitable Share	110 311	108 709	118 243	129 855	129 855	129 855	147 784	158 306	169 946
Finance Management	1 800	1 825	1 900	1 970	1 970	1 970	2 435	2 867	3 131
EPWP Incentive	1 158	1 791	1 768	1 195	1 195	1 195	1 348		
Integrated National Electrification Programme				6 000	6 000				
Municipal Systems Improvement	930								
Provincial Government:	798	1 345	1 325	1 392	4 667	4 667	1 714	1 817	1 931
Sport and Recreation	54	80			50	50			
Co-operative Governance and Traditional Affairs					3 000	3 000			
Provincial Library Grant	744	1 265	1 325	1 392	1 617	838	880	924	975
Small Town Rehabilitation Project		-	-						
Community Library Services Grant						779	834	893	956
District Municipality:	-	-	-	-	50	50	-	-	-
<i>Ilembe District</i>					50	50			
Total operating expenditure of Transfers and Grants:	114 997	113 670	123 236	140 412	143 737	137 737	153 281	162 990	175 008
<u>Capital expenditure of Transfers and Grants</u>									
National Government:	51 170	36 353	42 291	29 267	32 767	38 767	29 809	31 306	33 460
Municipal Infrastructure Grant (MIG)	28 907	19 548	32 678	29 267	32 767	32 767	29 809	31 306	33 460
Integrated National Electrification Programme	8 539	9 725	9 614	-	-	6 000			
Neighbourhood Development Partnership	13 724	7 080							
Provincial Government:	-	3 360	740	-	-	872	-	-	-
Small Town Rehabilitation Project	-	3 360	740			872			
Total capital expenditure of Transfers and Grants	51 170	39 714	43 031	29 267	32 767	39 639	29 809	31 306	33 460
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	166 167	153 383	166 267	169 679	176 504	177 376	183 090	194 296	208 468

2.8 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY

The budget related to funds made by the municipality amounts to R9,5million which can be explain as follows;

- R800 thousands related to the Electricity subsidies
- R500 thousands related to Indigent Burial Assistance and,
- R300 thousands related to "Disaster Management (Emergency Relief)
- R7, 4 million related to household electrification
- R520 thousands related to study assistance for both external Beneficial's.

2.9 COUNCILLOR AND BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS

The budget allocation for employee related cost for municipal staff including councillors amounts to R78, 5million for 2019/2020 MTREF. This amount includes posts as per the current staff establishment well as almost 7% of salary increment as indicated under executive summary (Employee Related Cost) above and 2.5 per cent applicable to the notch increase for those employees that still within their notches. Below are the supporting tables that indicates how the salaries and allowances are allocated.

Table 13: Councillor and board member allowances and employee benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		7 274	8 592	13 383	11 588	11 588	11 588	11 950	12 596	13 414
Pension and UIF Contributions		847	398	1 015	649	649	649	1 040	1 096	1 167
Medical Aid Contributions		235	123	421	345	345	345	442	466	496
Motor Vehicle Allowance		600	142	127	133	133	133	137	144	154
Cellphone Allowance		770	792	1 632	1 608	1 608	1 608	1 623	1 711	1 822
Housing Allowances								-	-	-
Other benefits and allowances		1 636	1 639	2 397				135	142	151
Sub Total - Councillors		11 361	11 686	18 976	14 324	14 324	14 324	15 327	16 155	17 205
% increase	4		2.9%	62.4%	(24.5%)	-	-	7.0%	5.4%	6.5%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		2 792	1 561	2 706	3 718	3 148	3 148	3 718	3 919	4 173
Pension and UIF Contributions		69	38	91	12	31	31	37	39	42
Medical Aid Contributions					227	135	135	135	143	152
Overtime								-	-	-
Performance Bonus			29		105	200	200	-	-	-
Motor Vehicle Allowance	3	855	477	875	1 264	1 100	1 100	1 245	1 313	1 398
Cellphone Allowance	3							-	-	-
Housing Allowances	3							-	-	-
Other benefits and allowances	3	44		8				650	685	730
Payments in lieu of leave				425				-	-	-
Long service awards								-	-	-
Post-retirement benefit obligations	6							-	-	-
Sub Total - Senior Managers of Municipality		3 760	2 106	4 104	5 327	4 614	4 614	5 786	6 098	6 495
% increase	4		(44.0%)	94.9%	29.8%	(13.4%)	-	25.4%	5.4%	6.5%
Other Municipal Staff										
Basic Salaries and Wages		20 433	21 972	20 786	43 041	31 581	31 581	40 390	42 786	45 567
Pension and UIF Contributions		2 823	3 140	4 193	6 407	5 385	5 385	6 183	6 517	6 941
Medical Aid Contributions		1 310	1 571	1 748	4 284	2 204	2 204	2 264	2 386	2 542
Overtime		528	908	1 215	1 150	660	660	660	696	741
Performance Bonus			(29)	2 007		-	-	-	-	-
Motor Vehicle Allowance	3	574	777	568	1 730	1 184	1 184	1 541	1 624	1 730
Cellphone Allowance	3					-	-	-	-	-
Housing Allowances	3	170	187	202	368	215	215	215	227	242
Other benefits and allowances	3	1 634	1 615	997		630	630	4 310	4 543	4 838
Payments in lieu of leave				(425)		2 838	2 838	315	332	354
Long service awards		276	260	13				-	-	-
Post-retirement benefit obligations	6							440	464	494
Sub Total - Other Municipal Staff		27 749	30 401	31 303	56 980	44 697	44 697	56 319	59 575	63 447
% increase	4		9.6%	3.0%	82.0%	(21.6%)	-	26.0%	5.8%	6.5%
Total Parent Municipality		42 869	44 193	54 383	76 631	63 635	63 635	77 432	81 828	87 147
			3.1%	23.1%	40.9%	(17.0%)	-	21.7%	5.7%	6.5%
TOTAL SALARY, ALLOWANCES & BENEFITS		42 869	44 193	54 383	76 631	63 635	63 635	77 432	81 828	87 147
% increase	4		3.1%	23.1%	40.9%	(17.0%)	-	21.7%	5.7%	6.5%
TOTAL MANAGERS AND STAFF	5,7	31 509	32 507	35 407	62 307	49 311	49 311	62 105	65 673	69 942

Table 14: Councillor and Senior Managers benefits

KZN293 Ndwedwe - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)					
Disclosure of Salaries, Allowances & Benefits 1.	Salary	Contributions	Allowances	Performance Bonuses	Total Package
Rand per annum		1.			2.
<u>Councillors</u>					
Speaker	640 869	48 812	51 681		741 362
Chief Whip					-
Executive Mayor	854 910	37 599	43 656		936 165
Deputy Executive Mayor	601 663	122 440	43 656		767 759
Executive Committee	2 675 000	321 000	174 624		3 170 624
Total for all other councillors	7 177 889	1 223 604	1 309 680		9 711 173
Total Councillors	11 950 331	1 753 456	1 623 297		15 327 084
<u>Senior Managers of the Municipality</u>					
Municipal Manager (MM)	713 834	7 138	268 647	150 000	1 139 620
Chief Finance Officer	627 122	6 271	195 360	100 000	928 753
Director Community Services	627 122	26 271	195 365	100 000	948 758
Director Corporate Services	540 865	50 639	195 365	100 000	886 869
Director EDP	627 122	25 639	195 360	100 000	948 121
	581 909	56 437	195 360	100 000	933 706
Total Senior Managers of the Municipality	3 717 972	172 396	1 245 457	650 000	5 785 826
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	15 668 304	1 925 852	2 868 754	650 000	21 112 910

2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

Table 15: Monthly targets for revenue, expenditure

Description R thousand	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source															
Property rates	14 346	293	293	293	293	293	293	293	293	293	293	293	17 566	18 515	19 515
Service charges - electricity revenue												-	-	-	-
Service charges - water revenue												-	-	-	-
Service charges - sanitation revenue												-	-	-	-
Service charges - refuse revenue												-	-	-	-
Rental of facilities and equipment	50	50	50	50	50	50	50	50	50	50	50	50	600	632	667
Interest earned - external investments	917	917	917	917	917	917	917	917	917	917	917	917	11 000	11 594	12 220
Interest earned - outstanding debtors	67	67	67	67	67	67	67	67	67	67	67	67	800	843	889
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits												-	-	-	-
Licences and permits	0	0	0	0	0	0	0	0	0	0	0	0	5	5	6
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies	64 267	255	255	255	255	44 525	255	255	42 193	255	255	255	153 281	162 990	175 008
Other revenue	41	41	41	41	41	41	41	41	41	41	41	41	496	523	551
Gains on disposal of PPE						800						-	800	-	-
Total Revenue (excluding capital transfers and contri	79 688	1 623	1 623	1 623	1 623	46 693	1 623	1 623	43 561	1 623	1 623	1 623	184 548	195 103	208 855
Expenditure By Type															
Employee related costs	5 175	5 175	5 175	5 175	5 175	5 175	5 175	5 175	5 175	5 175	5 175	5 175	62 105	65 673	69 942
Remuneration of councillors	1 277	1 277	1 277	1 277	1 277	1 277	1 277	1 277	1 277	1 277	1 277	1 277	15 327	16 155	17 205
Debt impairment	250	250	250	250	250	250	250	250	250	250	250	250	3 000	3 162	3 333
Depreciation & asset impairment	1 750	1 750	1 750	1 750	1 750	1 750	1 750	1 750	1 750	1 750	1 750	1 750	21 000	22 134	23 329
Finance charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services	3 471	3 471	3 471	3 471	3 471	3 471	3 471	3 471	3 471	3 471	3 471	3 471	41 658	39 902	41 501
Transfers and subsidies	791	791	791	791	791	791	791	791	791	791	791	791	9 491	4 234	2 355
Other expenditure	2 655	2 655	2 655	2 655	2 655	2 655	2 655	2 655	2 655	2 655	2 655	2 655	31 857	33 577	35 391
Loss on disposal of PPE												-	-	-	-
Total Expenditure	15 370	15 370	15 370	15 370	15 370	15 370	15 370	15 370	15 370	15 370	15 370	15 370	184 438	184 838	193 056
Surplus/(Deficit)	64 318	(13 747)	(13 747)	(13 747)	(13 747)	31 323	(13 747)	(13 747)	28 191	(13 747)	(13 747)	(13 747)	111	10 265	15 799
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	29 809	31 306	33 460
Surplus/(Deficit)	66 802	(11 263)	(11 263)	(11 263)	(11 263)	33 807	(11 263)	(11 263)	30 675	(11 263)	(11 263)	(11 263)	29 920	41 571	49 259

Table 16: Budget Monthly Revenue and expenditure by municipal vote

Description R thousand	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<u>Revenue by Vote</u>															
Vote 1 - Finance & Admin	79 432	1 368	1 368	1 368	1 368	46 438	1 368	1 368	43 306	1 368	1 368	1 368	181 486	193 286	206 924
Vote 2 - Executive & Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Community and Social Services	143	143	143	143	143	143	143	143	143	143	143	143	1 714	1 817	1 931
Vote 4 - Economic and environmental services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Road transport	2 596	2 596	2 596	2 596	2 596	2 596	2 596	2 596	2 596	2 596	2 596	2 596	31 157	31 306	33 460
Vote 6 - Waste management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue by Vote	82 172	4 107	4 107	4 107	4 107	49 177	4 107	4 107	46 045	4 107	4 107	4 107	214 357	226 409	242 315
<u>Expenditure by Vote to be appropriated</u>															
Vote 1 - Finance & Admin	7 143	7 143	7 143	7 143	7 143	7 143	7 143	7 143	7 143	7 143	7 143	7 143	85 716	90 559	95 746
Vote 2 - Executive & Council	3 288	3 288	3 288	3 288	3 288	3 288	3 288	3 288	3 288	3 288	3 288	3 288	39 460	41 591	44 130
Vote 3 - Community and Social Services	1 542	1 542	1 542	1 542	1 542	1 542	1 542	1 542	1 542	1 542	1 542	1 542	18 503	19 186	20 347
Vote 4 - Economic and environmental services	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	1 299	15 587	12 740	13 498
Vote 5 - Road transport	1 934	1 934	1 934	1 934	1 934	1 934	1 934	1 934	1 934	1 934	1 934	1 934	23 203	18 687	17 126
Vote 6 - Waste management	164	164	164	164	164	164	164	164	164	164	164	164	1 968	2 074	2 209
Total Expenditure by Vote	15 370	15 370	15 370	15 370	15 370	15 370	15 370	15 370	15 370	15 370	15 370	15 370	184 438	184 838	193 056
Surplus/(Deficit) before assoc.	66 802	(11 263)	(11 263)	(11 263)	(11 263)	33 807	(11 263)	(11 263)	30 675	(11 263)	(11 263)	(11 263)	29 920	41 571	49 259
Surplus/(Deficit)	66 802	(11 263)	(11 263)	(11 263)	(11 263)	33 807	(11 263)	(11 263)	30 675	(11 263)	(11 263)	(11 263)	29 920	41 571	49 259

Table 17: Budget monthly capital expenditure by municipal vote

Description R thousand	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<u>Multi-year expenditure to be appropriated</u>															
Vote 1 - Finance & Admin												-	-	-	-
Vote 2 - Executive & Council												-	-	-	-
Vote 3 - Community and Social Services												-	-	-	-
Vote 4 - Economic and environmental services												-	-	-	-
Vote 5 - Road transport												-	-	-	-
Vote 6 - Waste management												-	-	-	-
Capital multi-year expenditure sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<u>Single-year expenditure to be appropriated</u>															
Vote 1 - Finance & Admin	266	266	266	266	266	266	266	266	266	266	266	266	3 195	3 350	2 110
Vote 2 - Executive & Council	204	204	204	204	204	204	204	204	204	204	204	204	2 450	350	210
Vote 3 - Community and Social Services	146	146	146	146	146	146	146	146	146	146	146	146	1 750	810	350
Vote 4 - Economic and environmental services	113	113	113	113	113	113	113	113	113	113	113	113	1 360	2 300	1 650
Vote 5 - Road transport	4 923	4 923	4 923	4 923	4 923	4 923	4 923	4 923	4 923	4 923	4 923	4 923	59 079	36 566	33 710
Vote 6 - Waste management												-	-	-	-
Capital single-year expenditure sub-total	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	67 834	43 376	38 030
Total Capital Expenditure	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	67 834	43 376	38 030

Table 18: Budget monthly capital expenditure by functional classification

Description R thousand	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital Expenditure - Functional															
<i>Governance and administration</i>	470	470	470	470	470	470	470	470	470	470	470	470	5 645	3 700	2 320
Executive and council	204	204	204	204	204	204	204	204	204	204	204	204	2 450	350	210
Finance and administration	266	266	266	266	266	266	266	266	266	266	266	266	3 195	3 350	2 110
Internal audit													-	-	-
<i>Community and public safety</i>	146	146	146	146	146	146	146	146	146	146	146	146	1 750	810	350
Community and social services	146	146	146	146	146	146	146	146	146	146	146	146	1 750	810	350
Sport and recreation													-	-	-
Public safety													-	-	-
Housing													-	-	-
Health													-	-	-
<i>Economic and environmental services</i>	5 037	5 037	5 037	5 037	5 037	5 037	5 037	5 037	5 037	5 037	5 037	5 037	60 439	38 866	35 360
Planning and development	113	113	113	113	113	113	113	113	113	113	113	113	1 360	2 300	1 650
Road transport	4 923	4 923	4 923	4 923	4 923	4 923	4 923	4 923	4 923	4 923	4 923	4 923	59 079	36 566	33 710
Environmental protection													-	-	-
<i>Trading services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Energy sources													-	-	-
Water management													-	-	-
Waste water management													-	-	-
Waste management													-	-	-
<i>Other</i>													-	-	-
Total Capital Expenditure - Functional	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	67 834	43 376	38 030
Funded by:															
National Government	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	29 809	31 306	33 460
Provincial Government													-	-	-
District Municipality													-	-	-
Other transfers and grants													-	-	-
Transfers recognised - capital	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	29 809	31 306	33 460
Borrowing													-	-	-
Internally generated funds	3 169	3 169	3 169	3 169	3 169	3 169	3 169	3 169	3 169	3 169	3 169	3 169	38 025	12 070	4 570
Total Capital Funding	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	5 653	67 834	43 376	38 030

Table 19: Budget monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand															
Cash Receipts By Source													1		
Property rates	130	130	130	9 109	130	130	130	130	130	130	130	130	10 540	10 831	12 294
Service charges - electricity revenue													-		
Service charges - water revenue													-		
Service charges - sanitation revenue													-		
Service charges - refuse revenue													-		
Rental of facilities and equipment	50	50	50	50	50	50	50	50	50	50	50	50	600	632	667
Interest earned - external investments	917	917	917	917	917	917	917	917	917	917	917	917	11 000	11 594	12 220
Interest earned - outstanding debtors	33	33	33	33	33	33	33	33	33	33	33	33	400	422	444
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits													-		
Licences and permits	0	0	0	0	0	0	0	0	0	0	0	0	5	5	6
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer receipts - operational	12 751	12 751	12 751	12 751	12 751	12 751	12 751	12 751	12 751	12 751	12 751	13 016	153 281	162 990	175 008
Other revenue	41	41	41	41	41	41	41	41	41	41	41	41	496		
Cash Receipts by Source	13 923	13 923	13 923	22 902	13 923	13 923	13 923	13 923	13 923	13 923	13 923	14 188	176 322	186 474	200 640
Other Cash Flows by Source															
Transfer receipts - capital	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	2 484	29 809	31 306	33 460
Proceeds on disposal of PPE						800							800		
Short term loans													-		
Borrowing long term/refinancing													-		
Increase (decrease) in consumer deposits													-		
Decrease (Increase) in non-current debtors													-		
Decrease (Increase) other non-current receivables													-		
Decrease (Increase) in non-current investments													-		
Total Cash Receipts by Source	16 407	16 407	16 407	25 386	16 407	17 207	16 407	16 407	16 407	16 407	16 407	16 672	206 931	217 780	234 100
Cash Payments by Type															
Employee related costs	5 267	5 267	5 267	5 267	5 267	5 267	5 267	5 267	5 267	5 267	5 267	4 163	62 105	65 673	69 942
Remuneration of councillors	1 277	1 277	1 277	1 277	1 277	1 277	1 277	1 277	1 277	1 277	1 277	1 277	15 327	16 155	17 205
Finance charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk purchases - Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk purchases - Water & Sewer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other materials													-	411	433
Contracted services	3 328	3 328	3 328	3 328	3 328	3 328	3 328	3 328	3 328	3 328	3 328	5 054	41 658	37 587	39 061
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	217	217	217	217	217	217	217	217	217	217	217	7 108	9 491	5 057	3 222
Other expenditure	2 835	2 835	2 835	2 835	2 835	2 835	2 835	2 835	2 835	2 835	2 835	672	31 857	34 660	36 532
Cash Payments by Type	12 924	12 924	12 924	12 924	12 924	12 924	12 924	12 924	12 924	12 924	12 924	18 274	160 437	159 542	166 394
Other Cash Flows/Payments by Type															
Capital assets	5 487	5 487	5 487	5 487	5 487	5 487	5 487	5 487	5 487	5 487	5 487	7 473	67 834	43 376	38 030
Repayment of borrowing													-		
Other Cash Flows/Payments													-		
Total Cash Payments by Type	18 411	18 411	18 411	18 411	18 411	18 411	18 411	18 411	18 411	18 411	18 411	25 747	228 271	202 918	204 424
NET INCREASE/(DECREASE) IN CASH HELD	(2 004)	(2 004)	(2 004)	6 974	(2 004)	(1 204)	(2 004)	(2 004)	(2 004)	(2 004)	(2 004)	(9 075)	(21 341)	14 862	29 675
Cash/cash equivalents at the monthly/year begin:	85 303	83 299	81 295	79 291	86 266	84 262	83 058	81 054	79 050	77 046	75 042	73 038	85 303	63 963	78 824
Cash/cash equivalents at the monthly/year end:	83 299	81 295	79 291	86 266	84 262	83 058	81 054	79 050	77 046	75 042	73 038	63 963	63 963	78 824	108 500

2.11 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

Ndwedwe Municipality does not have the contracts that are awarded beyond the medium-term revenue and expenditure framework (three years)..

2.12 CAPITAL EXPENDITURE DETAILS

Table 21: The following table present details of the municipality capital expenditure programme,

R thousand	Function	Project Description	2019/20 Medium Term Revenue & Expenditure Framework		
			Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
	Administrative and Corporate Support	Municipal Fleet	1 500	2 000	1 500
	Administrative and Corporate Support	Furniture and Office Equipment	580	300	250
	Administrative and Corporate Support	Computer Equipment	75	150	100
	Administrative and Corporate Support	Office Space	800	750	
	Community Halls and Facilities	Buy Back Structure (Phase One)	1 400	600	
	Community Halls and Facilities	Computer Equipment	150	60	250
	Community Halls and Facilities	Furniture and Office Equipment	200	150	100
	Economic Development/Planning	Computer Equipment	60	200	50
	Economic Development/Planning	Furniture and Office Equipment	100	100	100
	Economic Development/Planning	Mini Factories (Access Road)	1 200	-	-
	Economic Development/Planning	(Corridor Development Tractor implementation)	-	2 000	1 500
	Finance	Computer Equipment	100	50	200
	Finance	Furniture and Office Equipment	140	100	60
	Mayor and Council	Motor Vehicles For Mayor, Deputy Mayor and Speaker	2 300		-
	Municipal Manager, Town Secretary and Chief Executive	Computer Equipment	150	50	150
	Municipal Manager, Town Secretary and Chief Executive	Furniture and Office Equipment		300	60
	Roads	Furniture and Office Equipment	100	60	100
	Roads	Construction of Nhlangwini Sports-field	1 900		
	Roads	Construction of Mangangeni Community Hall & Creche in Ward 19	1 500		
	Roads	Construction of Ndwedwe Testing Center	8 000	5 000	-
	Roads	Construction of Mona Community Hall & Creche Ward 15	2 159		
	Roads	Computer Equipment	120	200	150
	Roads	Generator Installation	1 500		-
	Roads	Construction of Technical Dept Offices	4 800		-
	Roads	Roads Infrastructure (Access Road Mthebeni in ward 14)	600		
	Roads	Construction of Noorsburg Access Road	800		-
	Roads	Roads Infrastructure (Access Road Febe in ward 2)	900	-	-
	Roads	Construction of Elthafeni Access Road	1 200		
	Roads	Construction of Chamani Access Road in Ward 16	1 000		
	Roads	Construction of Gudintaba Access Road in Ward 17	2 000		
	Roads	Construction of KwaNovimba Access Road in Ward 17	2 900		
	Roads	Construction of Nambithane Access Road in Ward 5	3 500		
	Roads	Construction of Zesuliwe Access Road Ward 7	4 000		
	Roads	Construction of Mahedeni Bridge			
	Roads	Augmentation of water supply	200		-
	Roads	Construction of Sonkombo Sport field	1 500		
	Roads	Construction of Nondwengu Hall & Creche Ward 10	1 000		
	Roads	Construction of Water Fall Sports field Ward 3	3 000		
	Roads	Construction of Madlakazi Sports field in Ward 4	2 500		
	Roads	Construction of Siyathokoza Community Hall & Creche Ward 14	3 250		
	Roads	Transport Assets (TLB)	1 150		
	Roads	Mary Grey Sport Center Phase 2 in Ward 7	600		
	Roads	Machinery and Equipment (Office Equipment/EPWP Equipment)	300		
	Roads	Molokohlo Access Road	2 800		
	Roads	Mahlabathini Access Road, Mabheleni Access Road, Nembeni Access Road,	-	9 000	9 619
	Roads	Dalibho CDC, Ngcongcongonga CDC, Ezibomvini Creche, Mthombisa CDC,	-	10 306	11 015
	Roads	uMdloti bridge, uQeko bridge		12 000	12 826
	Roads	Ward 4 Construction of Nhlangano Access Road	600		
	Roads	Ward 15 Upgrade of Access Road	600		
	Roads	Road Maintenance Plant	4 600		
Total Capital Projects			67 834	43 376	38 030

2.13 LEGISLATION COMPLIANCE STATUS

Ndwedwe Municipality Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

IDP

The 2019/2020 IDP review process has been finalised. All comments made by the community and key stakeholders have been considered in reviewing the IDP.

In-year reporting

Reporting to Provincial Treasury and National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) is also done on monthly basis.

Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.

Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

Audit Committee

An Audit Committee has been established and is fully functional.

Service Delivery and Implementation Plan

The detail SDBIP document has been finalised and it will be send separate.

Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

MFMA Training

The MFMA training module in electronic format is presented at the Municipality and training is ongoing.



2.14 OTHER SUPPORTING DOCUMENTS



2.14.1 Detailed Capital Expenditure Per Municipal Department



2.14.2 Detailed Operational Expenditure Per Municipal Department



2.14.3 Final Service Level Standards



2.14.4 Approved Tariffs of Charges



2.14.4 Draft Budget Provincial Assessment Feedback

2.15 MUNICIPAL MANAGERS QUALITY CERTIFICATION



MUNICIPAL MANAGERS QUALITY CERTIFICATION



2019/2020 APPROVED ANNUAL BUDGET QUALITY CERTIFICATE

I, MF, Hadebe the Municipal Manager of Ndwedwe local Municipality, hereby certify that the 2019/2020 Approved Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act No. 56 of 2003 and the regulations made under the Act.

MF Hadebe

Municipal Manager of Ndwedwe Municipality (KZN 293)

Signature

Date